

## **HLS Therapeutics Announces Q2 2020 Financial Results**

- **Revenue of \$12.6 million and Adjusted EBITDA of \$4.8 million**
- **Increasing peak-year sales estimate for Vascepa to C\$275-325 million**
- **Clozaril's Canadian patient count and sales in local currency increase 2.3% and 2.5%, respectively, demonstrating resilience during the COVID-19 pandemic**
- **Privately covered lives for Vascepa in Canada increase to 40% as of today's date**
- **CEO succession: Gilbert Godin, President & COO, named CEO to replace Greg Gubitz who is retiring**

TORONTO, Aug. 6, 2020 /CNW/ - HLS Therapeutics Inc. ("HLS" or the "Company") (TSX:HLS), a specialty pharmaceutical company focusing on central nervous system and cardiovascular markets, announces its financial results for the three- and six-month periods ended June 30, 2020. All amounts are in thousands of United States ("U.S.") dollars unless otherwise stated.

### **Q2 2020 HIGHLIGHTS**

- Financial results for Q2 2020 reflect the resilience of the Company's foundational product, Clozaril, as well as significant ongoing investment in the launch for Vascepa, which HLS believes will be a strong organic growth driver for the business for years to come
- Revenue was \$12.6 million compared to \$13.6 million in Q2 2019
- Adjusted EBITDA was \$4.8 million compared to \$8.1 million in Q2 2019
- Net loss was (\$6.5) million, or (\$0.20) per common share, compared to net loss of (\$1.6) million, or (\$0.06) per common share, in Q2 2019
- Cash generated from (used in) operations was (\$4.2) million compared to \$9.0 million in Q2 2019
- Cash and cash equivalents were \$33.7 million at the end of Q2 2020 compared to \$47.1 million at December 31, 2019
- Became exclusive Canadian distributor for Saladax's MyCare™ Psychiatry Line including the Insite point-of-care device and its related line of diagnostic tests
- In collaboration with Amarin Corporation (NASDAQ:AMRN), announced support for a trial to investigate the effects of Vascepa® (icosapent ethyl) on inflammatory biomarkers in individuals with COVID-19

### **HIGHLIGHTS SUBSEQUENT TO QUARTER-END**

- CADTH recommended Vascepa be reimbursed for patients with established cardiovascular disease
- PMPRB notified HLS that Vascepa's introductory price submission did not trigger the pricing investigation criteria
- Based in part on those two favorable outcomes, HLS is increasing its peak-year sales estimate for Vascepa to C\$275-325 million, from C\$200-300 million
- CEO succession: Gilbert Godin, President and COO to become CEO and a member of the Board of Directors on October 1, 2020. Greg Gubitz to retire and will remain a member of the Board of Directors

"Q2 again demonstrates the resiliency of Clozaril, our foundational product, which continues to perform well during the COVID-19 pandemic," said Greg Gubitz, CEO of HLS. "Clozaril's patient count and sales level in Canada were up in Q2 reflecting the essential nature of this medication and the significant difference it can make in the lives of those suffering from treatment resistant schizophrenia, a chronic and serious condition."

"With Vascepa, we continue to press forward and make progress on our launch, and in recent weeks have begun to engage in face-to-face meetings with practitioners. These interactions are growing in number, which is encouraging. We are also making good progress expanding our private payer coverage for Vascepa and now have full-label coverage with 40% of the lives covered by private drug plans in Canada."

"Just over two weeks ago we received two favorable developments with Vascepa: one, CADTH's recommendation to reimburse Vascepa for patients with established cardiovascular disease and, two, PMPRB's positive notification on introductory pricing for Vascepa. Based on further analysis since announcing these positive developments, and aided by the significant clinical value of Vascepa and our overall confidence in the product and its prospects, we are pleased to be increasing our peak-year sales estimate for Vascepa to C\$275-325 million, from C\$200-300 million."

### **CEO SUCCESSION**

HLS is also announcing today that President and COO Gilbert Godin has been appointed to succeed CEO Greg Gubitz who will retire on October 1, 2020. Mr. Godin and Mr. Gubitz were both co-founders of the business in 2014 and have together led the business through its formation and expansion phases.

Mr. Gubitz will remain a Board Member of HLS and will work with Mr. Godin through a transition period to ensure an orderly handover. In connection with his appointment as CEO, Mr. Godin will become a member of the Company's Board of Directors. As part of the transition, HLS will conduct a search for a new Chief Operating Officer.

"I am very pleased to announce the execution of our succession plan, with the appointment of Gilbert as our new Chief Executive Officer. Gilbert is a highly dynamic and creative thinker who brings exceptional experience and proven leadership to his new role. We believe Gilbert has displayed unique skills and experiences to envision, articulate and

execute the next chapter in HLS' future. On behalf of the Board and the entire HLS team, we look forward to Gilbert's leadership," said Bill Wells, HLS Chairman.

"I am thrilled to move into the CEO role," said Mr. Godin. "I believe we have built a strong foundation with respect to people, therapeutic areas, technologies and a North American reach. We are well-positioned to capitalize on the opportunities ahead of us. Greg and I have fostered a disciplined capital allocation philosophy that will continue in the future. I look forward to working with the entire team on our strategy and delivering growth and shareholder value."

Mr. Wells added, "We want to thank Greg for his vision, leadership and integrity during his time at HLS, both as founding CEO and as a member of the Board. Greg was instrumental in launching HLS, getting it properly resourced, significantly reducing its debt, and positioning it for growth. The entire HLS family extends its thanks to Greg. We wish him well in his retirement and we are pleased he will remain on the Board."

"It has been a privilege to lead such a talented and committed organization," said Mr. Gubitz. "Since the founding of HLS, I have been inspired by the passion and excellence of our team. I am very proud of what we achieved during my time as CEO and believe the company is very well positioned for the future. The Board and I agree that now is the right time for this thoughtful and orderly succession to take place, and I am committed to supporting a smooth transition for the benefit of all of our stakeholders."

## **DIVIDEND**

On August 5, 2020, the Company's Board of Directors declared a dividend of C\$0.05 per outstanding common share to be paid on December 15, 2020, to shareholders of record as of October 30, 2020.

These dividends paid on the Company's common shares are designated to be "eligible dividends" for purposes of section 89(1) of the *Income Tax Act* (Canada).

## **FINANCIAL REVIEW**

### ***Revenue***

The following table provides revenue segmentation by revenue type and geography for the three- and six-month periods ended June 30, 2020:

|                        | <b>Three months ended</b> |             | <b>Six months ended</b> |             |
|------------------------|---------------------------|-------------|-------------------------|-------------|
|                        | <b>June 30,</b>           |             | <b>June 30,</b>         |             |
|                        | <b>2020</b>               | <b>2019</b> | <b>2020</b>             | <b>2019</b> |
| <b>Product sales</b>   |                           |             |                         |             |
| Canada                 | 6,875                     | 6,898       | 14,354                  | 13,285      |
| United States          | 3,932                     | 4,495       | 8,079                   | 8,770       |
|                        | 10,807                    | 11,393      | 22,433                  | 22,055      |
| <b>Royalty revenue</b> | 1,798                     | 2,232       | 4,062                   | 4,742       |
|                        | 12,605                    | 13,625      | 26,495                  | 26,797      |

Revenue in the three-month period ended June 30, 2020 ("Q2 2020") and the year-to-date period ended June 30, 2020 ("YTD 2020") was resilient in the face of the COVID-19 pandemic, and was relatively flat compared to their respective periods in the prior year. For Q2 2020, revenue year-over-year was impacted primarily due to lower Absorica royalty revenue and lower Clozaril sales in the U.S.

The number of Clozaril patients in Canada grew 2.3% year-over-year and sales in Canadian dollars increased 2.5% compared to Q2 2019, which was offset by the impact of a 3.2% reduction in the average exchange rate year-over-year on the translation of Canadian results to U.S. dollars. Product sales in Canada in Q2 2020 also included initial replenishment orders for Vascepa.

Absorica royalty revenue decreased 19% in Q2 2020 and 14% on a year-to-date basis. Due to the potential impact from COVID-19 on royalty revenue, the Company entered into an agreement with the vendor that reduces the purchase price to be paid by HLS for the Absorica rights by up to \$3.7 million depending on the performance of Absorica from April to December 2020. Looking forward, the Company expects that the economic life of its Absorica marketing rights will terminate by the end of 2020.

### ***Operating Expenses***

|   | <b>Three months ended</b> |             | <b>Six months ended</b> |             |
|---|---------------------------|-------------|-------------------------|-------------|
|   | <b>June 30,</b>           |             | <b>June 30,</b>         |             |
|   | <b>2020</b>               | <b>2019</b> | <b>2020</b>             | <b>2019</b> |
| Cost of product sales                   | 671                       | 523         | 1,490                   | 910         |
| Selling and marketing                   | 3,177                     | 1,435       | 6,793                   | 2,628       |
| Medical, regulatory and patient support | 1,699                     | 1,398       | 2,945                   | 2,611       |
| General and administrative              | 2,244                     | 2,164       | 4,384                   | 4,286       |

Operating expenses for the Q2 2020 and YTD 2020 periods have increased due primarily to the investment in the launch of Vascepa and associated activities related to sales and marketing of the product as well as medical, regulatory and patient support. For the Q2 2020 and YTD 2020 periods, General and administrative expenses were relatively flat compared to the same periods in the prior year.

### **Adjusted EBITDA**

|                                   | Three months ended<br>June 30, |         | Six months ended<br>June 30, |         |
|-----------------------------------|--------------------------------|---------|------------------------------|---------|
|                                   | 2020                           | 2019    | 2020                         | 2019    |
| Net loss for the period           | (6,474)                        | (1,631) | (6,320)                      | (5,334) |
| Stock-based compensation          | 918                            | 471     | 754                          | 1,068   |
| Amortization and depreciation     | 8,198                          | 8,103   | 16,757                       | 16,221  |
| Acquisition and transaction costs | 234                            | 178     | 323                          | 599     |
| Finance and related costs         | 2,636                          | 1,096   | 1,146                        | 4,313   |
| Income tax recovery               | (698)                          | (112)   | (1,777)                      | (505)   |
| Adjusted EBITDA                   | 4,814                          | 8,105   | 10,883                       | 16,362  |

Adjusted EBITDA for the Q2 2020 and YTD 2020 periods was lower compared to the prior year periods due primarily to the increase in launch-related activities for Vascepa and lower Absorica royalty revenue.

### **Interest Expense and Debt**

Interest on the senior secured term loan in Q2 2020 was \$1.2 million compared to \$1.5 million in Q2 2019. Interest on the senior secured term loan for the YTD 2020 period was \$2.4 million compared to \$3.1 million in the same period last year. The reduction is due to both a lower principal balance and a lower interest rate in fiscal 2020.

As at June 30, 2020, the principal debt balance outstanding under the new senior secured term facility was \$91.1 million compared to \$92.4 million at March 31, 2020 and \$93.8 million at December 31, 2019. This compares with the original senior secured loan borrowing of \$185.0 million at the Company's inception.

### **Net Loss**

Net loss for the Q2 2020 and YTD 2020 periods was (\$6.5) million, or (\$0.20) per share, and (\$6.3) million, or (\$0.20) per share, compared to (\$1.6) million, or (\$0.06) per share, and (\$5.3) million, or (\$0.19) per share, in the prior year periods. Net loss has increased year-over-year as a result of the activities related to the launch of Vascepa. In addition, the fair value changes related to the lender warrants increased the net loss in Q2 2020 by \$0.8 million and reduced the YTD 2020 net loss by \$5.4 million.

### **Cash from Operations and Financial Position**

Cash used in operations was (\$4.2) million in Q2 2020, compared to cash generated from operations of \$9.0 million in Q2 2019. For the YTD 2020 period, cash generated from operations was \$1.1 million compared to \$17.3 million in the same period last year. The decrease year-over-year is primarily attributable to a \$9.4 net difference in the impact of changes of working capital on cash provided by (used in) operations in Q2 2020 and a \$10.3 million difference in the YTD 2020 period. These changes in working capital include the purchase of \$9.0 million of Vascepa inventory in the YTD 2020 period.

As at June 30, 2020, the Company had cash and cash equivalents of \$33.7 million, compared to \$47.1 million at December 31, 2019. Factors impacting the change in cash balance since the end of 2019 include a \$3.75 million milestone payment made to Amarin when Vascepa received data protection in Canada, increased selling and marketing costs related to Vascepa's launch and initial inventory purchases for the product.

HLS has a strong financial position with \$33.7 million of cash and cash equivalents, a \$25.0 million revolving facility that was undrawn at June 30, 2020, and the Company may also request to be provided with incremental loans, up to a maximum amount of \$100.0 million, to support acquisitions and other growth opportunities. In addition, earlier this year, the Company filed a preliminary short-form base shelf prospectus with the securities commissions in each of the provinces and territories of Canada, other than Quebec, to raise up to C\$250.0 million over a period of 25 months should an appropriate strategic opportunity emerge.

### **Q2 2020 CONFERENCE CALL**

HLS will hold a conference call today at 8:30 am Eastern Time to discuss its Q2 2020 financial results. The call will be hosted by Mr. Greg Gubit, Chief Executive Officer, Mr. Gilbert Godin, President and Chief Operating Officer and Mr. Tim Hendrickson, Chief Financial Officer.

CONFERENCE ID: 11758189

DATE: Thursday, August 6, 2020

TIME: 8:30 am ET

DIAL-IN NUMBER: 1-888-664-6392 or 416-764-8659  
WEBCAST LINK: [https://produceredition.webcasts.com/starthere.jsp?ei=1348480&tp\\_key=c1f9fef9de](https://produceredition.webcasts.com/starthere.jsp?ei=1348480&tp_key=c1f9fef9de)  
TAPED REPLAY: 1-888-390-0541 or 416-764-8677  
REPLAY PASSCODE: 758189

A link to the live audio webcast of the conference call will also be available on the events page of the investors section of HLS Therapeutics' website at [www.hlstherapeutics.com](http://www.hlstherapeutics.com). Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to hear the webcast. The taped replay will be available for 14 days and the archived webcast will be available for 90 days.

#### **ABOUT HLS THERAPEUTICS INC.**

Formed in 2015, HLS is a specialty pharmaceutical company focused on the acquisition and commercialization of late stage development, commercial stage promoted and established branded pharmaceutical products in the North American markets. HLS's focus is on products targeting the central nervous system and cardiovascular therapeutic areas. HLS's management team is composed of seasoned pharmaceutical executives with a strong track record of success in these therapeutic areas and at managing products in each of these lifecycle stages. For more information visit: [www.hlstherapeutics.com](http://www.hlstherapeutics.com)

#### **CAUTIONARY NOTE REGARDING NON-IFRS MEASURES**

*This press release refers to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of HLS's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of HLS's financial information reported under IFRS. HLS uses non-IFRS measures to provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. HLS also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. HLS's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess HLS's ability to meet its future debt service, capital expenditure and working capital requirements.*

*In particular, management uses Adjusted EBITDA as a measure of HLS's performance. To reconcile net income (loss) for the period with Adjusted EBITDA, each of (i) "stock-based compensation", (ii) "amortization and depreciation", (iii) "acquisition and transaction costs", (iv) "finance and related costs", and (v) "income tax recovery" appearing in the Consolidated Statement of Net Income (Loss) are added to net income (loss) for the period to determine Adjusted EBITDA. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS as issued by the IASB.*

#### **FORWARD LOOKING INFORMATION**

*This release includes forward-looking statements regarding HLS and its business. Such statements are based on the current expectations and views of future events of HLS's management. In some cases the forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "plan", "anticipate", "intend", "potential", "estimate", "believe" or the negative of these terms, or other similar expressions intended to identify forward-looking statements, including, among others, statements with respect to HLS's pursuit of additional product and pipeline opportunities in certain therapeutic markets, statements regarding growth opportunities and expectations regarding financial performance. The forward-looking events and circumstances discussed in this release may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting HLS, including risks relating to the specialty pharmaceutical industry, risks related to the regulatory approval process, economic factors and many other factors beyond the control of HLS. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause HLS's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. A discussion of the material risks and assumptions associated with this release can be found in the Company's Annual Information Form dated March 18, 2020 and Management's Discussion and Analysis dated May 6, 2020, both of which have been filed on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com). Accordingly, readers should not place undue reliance on any forward-looking statements or information. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and HLS undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.*

#### **HLS THERAPEUTICS INC.**

#### **CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

#### **Unaudited**

[in thousands of U.S. dollars]

|  | As at         | As at             |
|--|---------------|-------------------|
|  | June 30, 2020 | December 31, 2019 |

**ASSETS****Current**

|   |                |                |
|---|----------------|----------------|
| Cash and cash equivalents                 | 33,662         | 47,078         |
| Accounts receivable                       | 10,545         | 11,858         |
| Inventories                               | 11,059         | 2,055          |
| Derivative financial instruments          | 282            | 271            |
| Prepaid expenses and other current assets | 2,542          | 1,838          |
| <b>Total current assets</b>               | <b>58,090</b>  | <b>63,100</b>  |
| Property, plant and equipment             | 1,249          | 1,276          |
| Intangible assets                         | 229,465        | 252,050        |
| Restricted assets                         | 2,001          | 2,188          |
| Deferred income tax asset                 | 1,028          | 1,057          |
| <b>Total assets</b>                       | <b>291,833</b> | <b>319,671</b> |

**LIABILITIES AND SHAREHOLDERS' EQUITY****Current**

|  |                |                |
|--|----------------|----------------|
| Accounts payable and accrued liabilities | 15,315         | 13,466         |
| Provisions                               | 5,203          | 5,471          |
| Debt and other financial liabilities     | 17,290         | 27,855         |
| Income taxes payable                     | 128            | 347            |
| <b>Total current liabilities</b>         | <b>37,936</b>  | <b>47,139</b>  |
| Debt and other financial liabilities     | 85,321         | 91,822         |
| Deferred income tax liability            | -              | 2,511          |
| <b>Total liabilities</b>                 | <b>123,257</b> | <b>141,472</b> |

**Shareholders' equity**

|   |                |                |
|---|----------------|----------------|
| Share capital                                     | 256,283        | 248,687        |
| Contributed surplus                               | 10,690         | 11,517         |
| Accumulated other comprehensive loss              | (8,275)        | (537)          |
| Deficit   | (90,122)       | (81,468)       |
| <b>Total shareholders' equity</b>                 | <b>168,576</b> | <b>178,199</b> |
| <b>Total liabilities and shareholders' equity</b> | <b>291,833</b> | <b>319,671</b> |

**HLS THERAPEUTICS INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS****Unaudited**

[in thousands of U.S. dollars, except per share amounts]

|   | <b>Three months ended<br/>June 30,</b> |                | <b>Six months ended<br/>June 30,</b> |                |
|---|--|----------------|--------------------------------------|----------------|
|   | <b>2020</b>                            | <b>2019</b>    | <b>2020</b>                          | <b>2019</b>    |
| <b>Revenue</b>                          | 12,605                                 | 13,625         | 26,495                               | 26,797         |
| <b>Expenses</b>                         |  |                |                                      |                |
| Cost of product sales                   | 671                                    | 523            | 1,490                                | 910            |
| Selling and marketing                   | 3,177                                  | 1,435          | 6,793                                | 2,628          |
| Medical, regulatory and patient support | 1,699                                  | 1,398          | 2,945                                | 2,611          |
| General and administrative              | 2,244                                  | 2,164          | 4,384                                | 4,286          |
| Stock-based compensation                | 918                                    | 471            | 754                                  | 1,068          |
| Amortization and depreciation           | 8,198                                  | 8,103          | 16,757                               | 16,221         |
| Operating loss                          | (4,302)                                | (469)          | (6,628)                              | (927)          |
| Acquisition and transaction costs       | 234                                    | 178            | 323                                  | 599            |
| Finance and related costs, net          | 2,636                                  | 1,096          | 1,146                                | 4,313          |
| Loss before income taxes                | (7,172)                                | (1,743)        | (8,097)                              | (5,839)        |
| Income tax recovery                     | (698)                                  | (112)          | (1,777)                              | (505)          |
| <b>Net loss for the period</b>          | <b>(6,474)</b>                         | <b>(1,631)</b> | <b>(6,320)</b>                       | <b>(5,334)</b> |
| <b>Net loss per share:</b>              |  |                |                                      |                |
| Basic and diluted                       | \$(0.20)                               | \$(0.06)       | \$(0.20)                             | \$(0.19)       |

**HLS THERAPEUTICS INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**Unaudited**

[in thousands of U.S. dollars]

|  | Three months ended<br>June 30, |         | Six months ended<br>June 30, |         |
|--|--------------------------------|---------|------------------------------|---------|
|  | 2020                           | 2019    | 2020                         | 2019    |
| <b>Net loss for the period</b>                         | (6,474)                        | (1,631) | (6,320)                      | (5,334) |
| Item that may be reclassified subsequently to net loss |                                |         |                              |         |
| Unrealized foreign currency translation adjustment     | 6,306                          | 3,210   | (7,738)                      | 6,168   |
| <b>Comprehensive income (loss) for the period</b>      | (168)                          | 1,579   | (14,058)                     | 834     |

**HLS THERAPEUTICS INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Unaudited**

[in thousands of U.S. dollars]

|  | Share capital | Contributed surplus | Accumulated other comprehensive income (loss) | Deficit  | Total   |
|--|---------------|---------------------|---|----------|---------|
| <b>Balance, December 31, 2019</b>                  | 248,687       | 11,517              | (537)   | (81,468) | 178,199 |
| Warrants exercised                                 | 7,544         | (1,652)             | —   | —        | 5,892   |
| Stock options exercised                            | 52            | (14)                | —   | —        | 38      |
| Stock option expense                               | —             | 839                 | —   | —        | 839     |
| Net loss for the period                            | —             | —                   | —   | (6,320)  | (6,320) |
| Dividends declared                                 | —             | —                   | —   | (2,334)  | (2,334) |
| Unrealized foreign currency translation adjustment | —             | —                   | (7,738)                                       | —        | (7,738) |
| <b>Balance, June 30, 2020</b>                      | 256,283       | 10,690              | (8,275)                                       | (90,122) | 168,576 |
| <b>Balance, December 31, 2018</b>                  | 210,360       | 12,973              | (7,455)                                       | (57,389) | 158,489 |
| Common shares issued                               | 37,329        | —                   | —   | —        | 37,329  |
| Shares issuance costs                              | (2,411)       | —                   | —   | —        | (2,411) |
| Warrants exercised                                 | 35            | —                   | —   | —        | 35      |
| Warrants granted                                   | —             | 470                 | —   | —        | 470     |
| Stock option expense                               | —             | 513                 | —   | —        | 513     |
| Net loss for the period                            | —             | —                   | —   | (5,334)  | (5,334) |
| Dividends declared                                 | —             | —                   | —   | (2,189)  | (2,189) |
| Unrealized foreign currency translation adjustment | —             | —                   | 6,168   | —        | 6,168   |
| <b>Balance, June 30, 2019</b>                      | 245,313       | 13,956              | (1,287)                                       | (64,912) | 193,070 |

**HLS THERAPEUTICS INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Unaudited**

[in thousands of U.S. dollars]

|  | Three months ended<br>June 30, |         | Six months ended<br>June 30, |         |
|--|--------------------------------|---------|------------------------------|---------|
|  | 2020                           | 2019    | 2020                         | 2019    |
| <b>OPERATING ACTIVITIES</b>  |                                |         |                              |         |
| Net loss for the period  | (6,474)                        | (1,631) | (6,320)                      | (5,334) |
| Adjustments to reconcile net loss to cash provided by (used in) operating activities |                                |         |                              |         |
| Stock-based compensation   | 918                            | 471     | 754                          | 1,068   |
| Amortization and depreciation  | 8,198                          | 8,103   | 16,757                       | 16,221  |
| Accreted interest  | 312                            | 530     | 668                          | 1,098   |
| Fair value adjustment on financial assets and liabilities                            | 1,372                          | 170     | (2,099)                      | 1,443   |

|   |                |                |                 |                |
|---|----------------|----------------|-----------------|----------------|
| Foreign exchange  | —              | —              | 176             | —              |
| Deferred income taxes   | (927)          | (449)          | (2,338)         | (1,104)        |
| Net change in non-cash working capital balances related to operations         | (7,615)        | 1,762          | (6,465)         | 3,846          |
| <b>Cash provided by (used in) operating activities</b>                        | <b>(4,216)</b> | <b>8,956</b>   | <b>1,133</b>    | <b>17,238</b>  |
| <b>INVESTING ACTIVITIES</b>   |                |                |                 |                |
| Additions to property, plant and equipment                                    | (1)            | (57)           | (27)            | (94)           |
| Asset acquisitions  | (1,825)        | (1,825)        | (8,400)         | (4,650)        |
| Other additions to intangible assets  | (311)          | (475)          | (759)           | (688)          |
| <b>Cash used in investing activities</b>                                      | <b>(2,137)</b> | <b>(2,357)</b> | <b>(9,186)</b>  | <b>(5,432)</b> |
| <b>FINANCING ACTIVITIES</b>   |                |                |                 |                |
| Common shares issued  | —              | 37,329         | —               | 37,329         |
| Common share issuance costs   | —              | (2,277)        | —               | (2,277)        |
| Stock options exercised   | 24             | —              | 38              | —              |
| Warrants exercised  | —              | 35             | 1,590           | 35             |
| Dividends paid  | (1,169)        | (1,022)        | (2,310)         | (2,023)        |
| Repayment of senior secured term loan   | (1,250)        | (1,250)        | (2,632)         | (2,500)        |
| Debt costs  | (176)          | —              | (176)           | —              |
| Cash portion of debt refinancing costs  | —              | —              | —               | (1,000)        |
| Lease payments  | (123)          | (110)          | (244)           | (223)          |
| <b>Cash provided by (used in) financing activities</b>                        | <b>(2,694)</b> | <b>32,705</b>  | <b>(3,734)</b>  | <b>29,341</b>  |
| <b>Net increase (decrease) in cash and cash equivalents during the period</b> | <b>(9,047)</b> | <b>39,304</b>  | <b>(11,787)</b> | <b>41,147</b>  |
| Foreign currency translation  | 1,060          | 192            | (1,629)         | 231            |
| Cash and cash equivalents, beginning of period                                | 41,649         | 12,812         | 47,078          | 10,930         |
| Cash and cash equivalents, end of period                                      | 33,662         | 52,308         | 33,662          | 52,308         |

SOURCE HLS Therapeutics Inc.

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<https://hlstherapeutics.investorroom.com/2020-08-06-HLS-Therapeutics-Announces-Q2-2020-Financial-Results>